INTERNAL REVENUE SERVICE

IRS News Release

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IRS Reminds Car Shoppers about 2009 Tax Break

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WASHINGTON – The Internal Revenue Service today reminds individual taxpayers who are considering buying a new car that they have until Dec. 31 to take advantage of a tax break that may not be around in 2010.

Taxpayers who buy a qualifying new motor vehicle this year after Feb. 16 can deduct the state or local sales or excise taxes they paid on the first $49,500 of the purchase price. Qualifying motor vehicles include new passenger automobiles, light trucks, motorcycles, and motor homes.

Individuals who itemize and those who take the standard deduction can benefit from this tax break. In states without a sales tax, other taxes or fees can qualify if they are assessed on the purchase of the vehicle and are based on the vehicle's sales price or as a per unit fee.

The deduction is reduced for joint filers with modified adjusted gross incomes (MAGI) between $250,000 and $260,000 and other taxpayers with MAGI between $125,000 and $135,000. Taxpayers with higher incomes do not qualify.

Taxpayers who take the standard deduction need to complete Schedule L and attach it to Form 1040 or Form 1040A to increase the standard deduction by the allowable amount of state or local sales or excise taxes paid on the purchase of the new vehicle. Also, check the box on line 40b on Form 1040 or line 24b on Form 1040A. Individuals who itemize should include the allowable amount of state or local sales or excise taxes from the purchase of the vehicle on Form 1040, Schedule A.

More information is available at IRS.gov.

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